

Message Text

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PAGE 01 COPENH 02589 01 OF 02 091438Z

50

ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 SSO-00 /024 W
----- 025567

O P 091345Z SEP 75

FM AMEMBASSY COPENHAGEN

TO AMEMBASSY LONDON IMMEDIATE

INFO SECSTATE WASHDC PRIORITY 1471

LIMITED OFFICIAL USE SECTION 1 OF 2 COPENHAGEN 2589

FOLLOWING RECD FM DEPT DATED SEPT 8, 1975.
BEING RPTD FOR YOUR ACTION.

QUOTE

LIMITED OFFICIAL USE SECTION 1 OF 2 STATE 212835/1

FOR RENDELL EXIMBANK

E. O. 11652: N/A

TAGS: BPRO

SUBJECT: FINANCIAL DIFFICULTIES RE A/S E. BAMBERG GROUP, TOREBY
PR4800 NYKOBING FALSTER, DENMARK

REF: TELECON 9/5/74 WITH MESSRS. GABA, BOGDANOFF, AND MANN CONCERNING SUBJECT COMPANY; THE FOLLOWING DETAILS ARE EXCERPTED FROM 8/29/75 TELEX FROM CONNECTICUT BANK AND TRUST COMPANY (CBT):

QUOTE:

OVER THE PERIOD 3/-/73-6/3/74 WE MADE 15 LOANS TO THE COMPANY TOTALLING \$884,437.62 IN SUPPORT OF THE EXPORT BY GASWAY CORPORATION, CHICAGO, ILLINOIS OF COIL COATING EQUIPMENT. ALL LOANS REPAYABLE IN TEN EQUAL SEMIANNUAL INSTALLMENTS AT THE RATE 7.25 PERCENT PER ANNUM.

CURRENT BALANCE IS \$662,572.81.

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PAGE 02 COPENH 02589 01 OF 02 091438Z

BORROWER HAS MISSED TWO PRINCIPAL MATURITIES AS FOLLOWS:

JULY 30, 1975 \$3,990.16
AUGUST 19, 1975 13,637.35

TOT
L \$17,627.51

INTEREYTFOR BOTH THESE MISSED MATURITIES WAS PAID....
...BRIEF FINANCIAL STATISTICS FOLLOL. FIGURES ARE AT 12/31/74.

(US \$000'S)
CURRENT ASSETS \$2,782
CURRENT LIABILITIES 6,301
WORKING CAPITAL (3,520)
NET WORTH 1,877
SALES 7,960
NET PROFIT AFTER TAX (749)
CASH FLOW (542)

THE COMPANY CONTACTED US SEVERAL DAYS PRIOR TO THE FIRST DEFAULT AND INFORMED US THAT THE PAYMENT WOULD NOT BE LIKELY, DUE TO A SEVERE LIQUIDITY SQUEEZE. WE WERE TOLD THAT THE COMPNAY WAS IN THE PROCESS OF ARRANGING A GENERAL MORATORIUM AMONG MAJOR BANK AND TRADE CREDITORS AND THAT WE WOULD BE CONTACTED SHORTLY. ON JULY 31, 1975, WE WERE VISITED BY NIEL BENSON, DIRECTOR, WHO SOLICITED OUR FEELINGS REGARDING A MORATORIUM. WE SAID WE WOULD HAVE TO SEE THE SPECIFIC PROPOSAL BEFORE COMMITTING OURSELVES BUT THAT ANY RESTRUCTURING OF THE DEBT MUST APPEAR REASONABLE. WE HAVE NOT YET RECEIVED THE FORMAL WRITTEN REQUEST FOR A MORATORIUM. WE UNDERSTAND HOWEVER THAT IT WILL PROPOSE A FREEZING OF ALL DEBT OUTSTANDING AS OF JULY 17, 1974 THROUGH YEAREND.

WE HAVE LEARNED FROM PERSONAL CONTACTS WITH BENSON, MR.
. BAMBERG,
CHAIRMAN, AND THROUGH OUR LAWYER, HERMAN FEDERSPIEL, COPENHAGEN, (APPOINTED BY US AS COUNSEL AUGUST 13, 1975) THAT NEGOTITATIONS ARE PROCEEDING WITH THREE DANISH QUASI-GOVERNMENTAL AGENCIES WHO MIGHT PROVIDE A TOTAL OF DKR 10 MILLION TO THE COMPANY. (THESE ARE FOR INFORMATION, (A) THE DANISH DEVELOPMENT FUND; (B) TH FINANCE INSTITUTE FOR INDUSTRY; (C) THE DANISH "CATASTROPHE" FUND.)
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PAGE 03 COPENH 02589 01 OF 02 091438Z

DAMBERG HAS TOLD US THAT IF THESE FUNDS ARE APPROVED, THEY WILL GO TO REDUCE THE AMOUNT OF DEBT OUTSTANDING TO COPENHAGEN HANDEL-SBANK. ALSO UNDER NEGOTIATION IS THE SALE OF SHARES OF A NORWEGIAN SABSIDIARY OF THE DAMBERG GROUP FOR DKR 5 MILLION. THE PROCEEDS OF THIS SALE, SCHEDULED FOR SEPTEMBER 5, WOULD ALSO REDUCE OUT- STANDING COPENHAGEN HANDELSBANK DEBT. (I HAVE BEEN TOLD BY A RE- PRESENTATIVE OF COPENHAGEN HANDELSBANK THAT THEY WOULD INSTITUTE IMMEDIATE LIQUIDATION PROCEDINGS AGAINST THE COMPANY IF ANY

TO THE GOVERNMENTAL FUNDS FAILED TO GAIN APPROVAL.) OUR LAWYER HAS
ADDITIONALLY LEARNED FROM HIS COMMUNICATIONS WITH THE E. DAMBERG
GROUP LAWYER, MR. OLE FINN NIELSEN, THAT A MAJOR CREDITOR, THE
ANGLO-NORDIC BANK, ZURICH, WILL BE EXEMPTED FROM THE MORATORIUM
AND NOT INFORMED OF IT. THE GROUP OWES ANGLO-NORDIC SWF

1,000,000 (US\$400,000) WHICH MATURES NOVEMBER 1. THE COMPANY
HOPES BY THIS TACTIC TO AVOID THE RISK OF WITHDRAWAL OF THESE FUNDS
BY ANGLO-NORDIC BANK, WHICH IT HOPES WILL ROUTINELY RENEW THE
SHORT-TERM ADVANCE AGAIN ON NOVEMBER 1.

WE FEEL THAT THE SPIRIT OF ANY MORATORIUM SHOULD PROVIDE FOR THE
USE BY THE COMPANY OF ANY NEW FUNDS AND THAT THE REDUCTION OF ANY
OTHER BANK DEBT BY FUNDS REALIZED FROM THE SALE OF ASSETS IS
CLEARLY INIMICAL TO OUR INTERESTS. WE FURTHER FEEL THAT THE EX-
CLUSION FROM THE MORATORIUM OF ANY MAJOR CREDITOR GREATLY DIM-
INISHES ITS LIKELIHOOD OF SUCCESS.

WE ARE A UNSECURED CREDITOR. THE FOLLOWING SECURITY INTERESTS ARE
HELD BY COPENHAGEN HANDELSBANK.

MORTGAGE SECURITY IN DKR 17.9 MILLION(US \$3.2 MILLION)
REAL PROPERTY

MORTGAGE ON SHARES OF DKR 7.6 MILLION(US \$1.4 MILLION)
UBSIDIARY

MORTGAGE ON VARIOUS DKR 9.5 MILLION(US \$.09 MILLION)
BONDS

TOTAL DKR 26 MILLION (US \$4.68 MILLION)

UNDER DANISH LAW, OPERATIONAL MACHINER IS COVERED BY MORTAGES ON
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PAGE 04 COPENH 02589 01 OF 02 091438Z

REAL PROPERTY.

COPENHANGE HANDELSBANK IS OWED A TOTAL OF DKR 36 MILLION (US
\$6.5 MILLION)

WE PROPOSE TO INFORM THE E. DAMBERG GROUP THROUGH OUR LAWYER,
THAT UNLESS COPENHAGEN HANDELSBANK AGREES TO PROVIDE THE CONN-
ECTICUT BANK AND TRUST COMPANY WITH EQUAL STATUS AS TO SECURITY

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PAGE 01 COPENH 02589 02 OF 02 091440Z

41

ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 SSO-00 /024 W
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O P 091345Z SEP 75

FM AMEMBASSY COPENHAGEN

TO AMEMBASSY LONDON IMMEDIATE

INFO SECSTATE WASHDC PRIORITY 1472

LIMITED OFFICIAL USE SECTION 2 OF 2 COPENHAGEN 2589

QUOTE

STATE 212835/2 BEING RPTD FOR YOUR ACTION/INFO.

LIMITED OFFICIAL USE FINAL SECTION OF 2 STATE 212835/2

FOR RENDELL EXIMBANK

AND PARI PASSU RANKING IN THE REDUCTION OF ANY INDEBTEDNESS WITHIN TWO DAYS OF NOTIFICATION WE SHALL FILE SUIT AGAINST THE E. DAMBERG GROUP IN DANISH COURT AS AN OBLIGOR IN DEFAULT.

WE FEEL THE TIMING IS CRITICAL AND THAT THE CHANCES OF OUR OBTAINING THIS EQUAL CREDITOR RANK WILL NEVER BE BETTER. WE FEEL STRONGLY THAT COPENHAGEN HANDELSBANK WILL RELIZE THAT ANY LAW SUIT BROUGHT BY US AGAINST THE DAMBERG GROUP WOULD SERIOUSLY JEOPARDIZE THE APPROVAL OF THE NEW FUNDS BEING CONSIDERED BY THE DANISH AUTHORITIES REFERRED TO ABOVE. WE ALSO FEEL STRONGLY THAT, GIVEN THE ALTERNATIVE, IT IS VERY MUCH IN COPENHAGEN HANDELSBANK'S INTERESTS TO GRANT US THIS SECURED INTEREST AND THAT ANY LAW SUIT RESULTING FROM OUR FAILURE TO OBTAIN IT WILL CERTAINLY NOT HARM OUR POSITION.

THE MOST CRITICAL ASPECT IS THAT WE MUST DO IT NOW. A DELAY WOULD ALLOW COPENHAGEN HANDELSBANK VASTLY TO IMPROVE ITS POSITION AS A CREDITOR AND WOULD MAKE LIQUIDATION BY THEM THEREAFTER A FAR MORE ACCEPTABLE PROSPECT. UNQUOTE

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PAGE 02 COPENH 02589 02 OF 02 091440Z

CURRENT EIB EXPOSURE TO E. DAMBERG GROUP CONSISTS OF TWO MEDIUM-

TERM BANK GUARANTEES TOTALTING US \$807,000.

REQUEST RENDELL TO:

1) CONFER WITH COPENHAGEN HANDELSBANK AND, IF POSSIBLE, WITH ABOVE MENTIONED GOVERNMENT AGENCIES TO ASCERTAIN FACTS AND CIRCUMSTANCES SURROUNDING PROBLEM OF E. DAMBERG GROUP.

2) CONFER WITH CBT'S LOCAL ATTORNEY:

HERMAN D. FEDERSPIEL

109 GOTHERSGADE

COPENHAGEN DK 1123

PHONE: 01-135800

3) CONFER WITH OFFICIALS OF E. DAMBERG GROUP (PHONE 03-856066)

E. DAMBERG, CHAIRMAN

ALLAN SOGAARD, EXECUTIVE VICE PRESIDENT AND TREASURER

4) ATTEMPT TO DISCERN FROM ABOVE INDIVIDUALS WHETHER COMPANY IS CONSIDERED TO BE FINANCIALLY VIABLE OR WHETHER EVENTUAL BANKRUPTCY PROCEEDINGS ARE CONTEMPLATED.

5) WHAT ACTIONS ARE OTHER CREDITORS TAKING OR CONTEMPLATING

6) WHAT ACTIONS DOES ATTORNEY FEDERSPIEL RECOMMEND

EXIMBANK GENERAL COUNSEL GLICK FEELS IT NECESSARY FOR RENDELL TO INVESTIGATE MATTERS CONCERNING E. DAMBERG GROUP BEFORE RETURN TO U.S. KISSINGER UNQUOTE
CROWE

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